

Statement for the record

Committee on Ways and Means

Hearing on Scientific Objectives for Climate Change Legislation

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Today the Committee will hear testimony on what policies the United States should consider to address concerns about climate change.

All variances of "cap and trade" legislation proposed in Congress have significant trade implications for the United States, which could result in serious job losses. These consequences deserve a thorough and comprehensive examination by the Committee on Ways & Means prior to any future action.

One witness before the panel today, Dr. Hansen, argues that the United States should impose a carbon tax and impose that tax on imports from countries that do not impose a carbon tax. Most of the legislation introduced in the last Congress to impose a cap and tax scheme on the United States included provisions to impose additional tariffs on imports from countries that do not have similar policies.

Risky and Counterproductive

Legislative provisions that require the United States to unilaterally impose new trade barriers in the name of environmentalism are risky and are likely to be counterproductive.

- 1) There is considerable debate as to whether such artificial "carbon curtains" are consistent with the U.S. obligations in the World Trade Organization or with free trade agreements. If these trade barriers are found to be in violation of the U.S. obligations, the affected countries would be permitted to retaliate against the United States – with damaging economic results.
- 2) Even if these trade barriers are not found to violate the WTO, given the near-term global economy, many countries will view the action as legal protectionism, which invites reciprocal retaliatory actions. What is to stop other countries, such as China and India, from imposing trade barriers on U.S. exports because per capita emissions in the United States are higher than those in China or India? It is certainly plausible that poorly thought-out climate change legislation could spawn a competing web of trade barriers that would prolong the global recession and harm both developed and developing countries.
- 3) Moreover, there is considerable debate as to whether these carbon curtains would be effective in achieving their environmental goal of preventing "leakage" – the fear of American manufacturing jobs moving offshore to avoid the reach of

unrealistic U.S. environmental laws. Given the precarious economic climate around the world, the United States runs the risk of setting off a global trade battle while simultaneously failing to achieve reductions in global emissions. This would be the worst of all possible outcomes.

In summary, Congress – led by the Committee on Ways & Means – should carefully study both the possible consequences of trade retaliation as a result of climate change legislation as well as the potential loss in U.S. sales and jobs as a result of making American exports non-competitive through higher cap and trade costs.

At a time when U.S. exports have been the one consistent bright spot in the economy and have been the largest contributor to U.S. economic growth, policies that threaten U.S. exports and the jobs they support are particularly unwise.

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